



DEALER TAX WATCH OUT

If you had called me personally to ask, "What's happening lately with IRS audits of dealers and dealerships that I need to know about?" ... Here's what I'd say:

#1. **THE PRACTITIONER'S NIGHTMARE: Uncertainty & Dealership Tax Issues: Opportunities & Pitfalls Lurking in Current Critical Tax Issues ... COPING WITH UNCERTAINTY WHEN IRS "GUIDANCE" IS NOT TOO HELPFUL.**

That's the title of my presentation on tax issues at the AICPA National Auto Dealership Conference in Phoenix, Arizona in October.

I'll admit that this title is a bit lengthy ... but, it's less than the 50-word limit the AICPA put on presentation titles. Given the overall situations we're all facing in dealing with the IRS on so many issues trying to defend dealership clients ... I'll try to do justice to these subjects. Actually, more than a few are discussed in this Edition of the *DTW*.

If you're going to be at the Conference, let's look for the chance to say, "Hello."

#2. **REPORTING UNCERTAIN TAX POSITIONS ... THIS NEW IRS INITIATIVE IS CAUSING CONSIDERABLE ANGST.** Right now, the most talked-about recent tax development is the new reporting initiative that the IRS will be **starting this year** requiring self-disclosure of **Uncertain Tax Positions**.

The keystone of the new self-reporting initiative that is being pushed by the IRS is a schedule that will have to be included with corporate Forms 1120 filed for the calendar year 2010 (and for fiscal years that begin in 2010).

This new schedule (Schedule UTP - *Uncertain Tax Position Statement*) will require the annual disclosure of uncertain tax positions in the form of a concise description of those positions and information about their magnitude ... a.k.a. the MTA (Maximum Tax Adjustment) amount.

For who must file and more on this important development, see page 8.

WATCHING OUT FOR

DEALER TAX WATCH OUT	1
• TIMELINE ... DEVELOPMENTS JAN. 1 TO MID-YEAR	2
DISCLOSURE OF UNCERTAIN TAX POSITIONS ...	
THE IRS' NEW REPORTING INITIATIVE FOR 2010	8
DEALERSHIP SUCCESSFULLY SUES CPA FIRM FOR IMPROPER TAX ADVICE OVER BUILT-IN GAINS TAX	14
SEC. 263A ISSUES WORKSHOP AT NADA	19
FORM 3115 & INSTRUCTIONS ...	
NEW REVISIONS & NEW CONCERNS	24
• FREQUENTLY ENCOUNTERED DEALERSHIP AUTOMATIC CHANGES IN METHODS	25
• PG ... SUGGESTIONS FOR FORM 3115 FILINGS	38
BUSINESS ACQUISITIONS & THE BROAD REACH OF SEC. 197	41
ALLOCATION OF PROFESSIONAL FEES PAID IN THE ACQUISITION OF A DEALERSHIP ...	
WEST COVINA MOTORS, INC. REVISITED	46
• STEP-BY-STEP SCHEDULES	50

#3. **DEALERSHIP SUCCESSFULLY SUES CPA FIRM FOR BAD TAX PLANNING ADVICE OVER BUILT-IN GAINS.** In a recent case, a dealership in Massachusetts successfully sued its former CPA firm and one of its partners for bad tax planning advice.

Usually cases like this are settled before they ever go to court, and apparently, the CPA firm in this case did make a settlement offer. However, not only was there a District Court case, but there also was a review at Appeals in which all of the "dirty laundry" was out there on the line for everybody to see.

see **DEALER TAX WATCH OUT**, page 3

LOOKING FOR ADDITIONAL & "VALUE ADDED" SERVICES FOR DEALER CLIENTS?

Look no further... Just use the *Dealer Tax Watch* for a head start in golden consulting opportunities and activities to help dealer clients—and, in the process, to help yourself.